Western Goes to the Mall; Gears Up to Test Car Care Centers

(Continued from page 1)
last month. "We're trying to get some background in that concept," said Dave Bunch, a real estate specialist for the chain of more than 500 stores.

"It's too soon to tell" how the test is going, he said.

Dallas-based Car Harbor, owned by the same Thompson brothers who just took Southland Corp. private in a $4.7 billion leveraged buyout, is just one of several national and regional chains throwing up car car malls by the dozens around the country.

Indicating the explosive growth of the car care mall industry, Car Harbor plans to build 10 to 12 this year in six different cities that may include Kansas City, St. Louis, Nashville, Tenn., and Phoenix—or any city toward the East Coast with a population of at least a million, said president D.H. Burden. Car Harbor is gearing up for as many as 20 more a year, he added.

Another car care mall operator, Lockwood Commercial Properties, based in St. Louis, expects to have as many as 20 malls either in operation or under construction by the end of 1988, including five in a new market, Indianapolis. It already operates several in St. Louis and several more in Kansas City.

Perhaps 100 car care malls are operating now, Burden estimated, with perhaps 100 more slated for 1988. About 200 car care malls are under development, estimated Ken Stolecki, assistant director of real estate for Western Auto.

"They're a real trend."

Another sign of success: Mall operators are forming a trade group to be called Council of Car Care Centers, said Chuck Laverty, publisher of *Automotive Week* newsletter.

Burden is bemused that he has failed to land any Chief Auto Parts stores, which the Thompson family also owns through their Southland holdings. The Thompsons are negotiating to sell Chief Auto, along with other assets such as dairies and 1,000 of their 7-Eleven convenience stores in order to pay their $4.7 billion LBO debt.

"Maybe I'll have better luck when they spin off Chief," Burden said.

Although Burden wants an auto parts store for each mall, Western Auto was the first parts chain to sign up, he said. It is taking a "let's see" position on additional malls, he said.

Going into the Car Harbor mall was just a happenstance, said Stolecki of Western Auto. "We were going to go into that market and we'd be there, whether it was in a fashion center or a car care mall," he said. "It's somewhat of a test."

Western Auto got in early enough to design its own store, Stolecki said. The unit will be 8,800 square feet, he said, or smaller than other company-owned stores that range from 10,000 square feet to 15,000 square feet.

In merchandising, the Car Harbor store will feature Western Auto's new national brand tire program, said Bob Suter, merchandise manager for parts, tires and batteries.

Last June, Western Auto began a program to expand its tire offerings beyond private label to about 5,000 sku's of branded tires. They include in-store stocks of Michelin, Pirelli and B. F. Goodrich.

Western Auto customers can also order numerous other brands, such as Denman truck tires and Gislevlid, a Swedish make, from its Tire America subsidiary, Suter said.

Western Auto has converted about half of its 275 U.S. stores to its national brand tire program and will complete the chainwide conversion by this June, Suter said.

Some Western Auto associate stores also have switched to the national brand program and can order special brands.

Besides the Tire America chain acquisition in January 1987, Western Auto made another major move into tires last October by acquiring the 52 stores of the NTW chain for $35 million.

Western Auto is gearing its tire pricing to discount store customers, rather than to wholesale club members, Suter said. "We're not going to be the lowest or the highest price."

But where warehouse clubs are cutting into the tire market, Western Auto will adjust prices, Suter said.

Including the Car Harbor store, Western Auto plans to open 50 new stores in 1988.

Senate Introduces Less Restrictive Polygraph Ban Legislation

(Continued from page 1)
ments that the worker under suspicion:

- Be provided with reasonable notice of the date, time and location of the test;
- Be warned against self-incrimination;
- Be allowed to review the questions before the test;
- Be allowed to terminate the test at any time.

In addition, the polygraph operator would be prohibited from asking questions related to the worker's religious or political beliefs, sexual behavior or labor union affiliation.

In a departure from the House polygraph bill, the Senate proposal contains no exemption to permit routine lie detector testing of retail prescription drug department employees.

Said Sen. Howard Metzenbaum, D-Ohio, another cosponsor of the new bill: "It is important to note that this bill treats all employers equally. It is unfair to give a few private special interests exemptions from the limitations on the use of polygraphs—it is unfair to the workers in those selected industries and it is unfair to other employers who do not get special treatment."

According to the provisions of the proposed Senate bill, employers who violate the ban would be subject to civil penalties, including fines of up to $10,000, restraining orders and liability to the employee affected by the violation.

Retailers suspect that even with the exemption for ongoing investigations, the ban on lie detector tests would reverse recent gains in combatting shrinkage.

Opponents of a ban on polygraph testing can expect support from the Reagan administration in their efforts to block passage of the proposed Senate measure. Reagan Justice Department officials have consistently argued against federal limitations on lie detector use by employers.

In an address earlier this year, Assistant Attorney General Richard K. Willard, citing polygraph statutes in 34 states and the District of Columbia, said the administration "sees no need for federal legislation."

"To preempt the states . . . where there is no evidence of an overriding need for national policy uniformity, would do violence to an important underlying principle of our union—the belief in the ability and responsibility of the states generally to govern the affairs of their citizens," Willard said.

Another administration concern about proposed federal legislation is the fact that both the House and Senate bills would deny employees the opportunity to voluntarily submit to polygraph exams to prove their innocence.

Stewart Makes Her Presence Felt at K mart

(Continued from page 1)
an expansion of K mart's existing line of spatulas to appeal to serious cooks looking for more professional products.

The dinnerware set now being developed includes Stewart's "thinking" on the shape of the cup in the set.

The opportunity for product development is infinite, Gill said, noting that K mart will develop products and merchandise lines "where we see opportunity and where it's right, we'll do it. We're keeping a totally open mind."

So far, the implementation of the Martha Stewart program hardly looks different from what preceeded it. The changes amount to little more than the addition of Martha Stewart signs in the housewares department.

At one suburban Atlanta K mart, the store featured:

- A large four-color poster of Stewart hung on a pillar in the housewares department;
- Four-color posters of food and table arrangements wrapped around four metal atrium towers and on six endcaps;
- Eight "Kitchen Korners" pamphlet holders scattered throughout the housewares department;
- A bookstand with Stewart's five cook/entertaining books.

The old atrium grid design with the large Kitchen Korner sign was removed when the new Stewart program arrived at the stores. Everything else remained the same.

The signs and merchandise stocked on the endcaps will be altered to coincide with the season or theme at hand, Gill noted, as will the recipes and entertaining tips in "Kitchen Korners," a pamphlet written by Stewart.

For example, the introduction of the Martha Stewart program featured holiday themes and foods and a short biography of Stewart and her new assignment for K mart. The January/February "Kitchen Korners" features special recipes made with Pyrex bakeware.

The first round of the Martha Stewart program—signs and "Kitchen Korners" pamphlets plus television advertising—was rolled out into 406 stores in 11 markets in November—Chicago, Detroit, Philadelphia, Indianapolis, Minneapolis/St. Paul, Atlanta, Dallas/Fort Worth, Tex., Denver, Kansas City, Tampa/St. Petersburg, Fla., and Seattle/Tacoma, Wash. The balance of the stores will have the program by the end of next month, Gill said.

The only part of the Stewart program that appears nationally are the print ads, which were placed in a number of consumer magazines and K mart circulars.

ALCO Designs Two New Formats

(Continued from page 1)
name, the 14 stores currently in operation incorporate a food department into the traditional merchandise assortment. Soelter said the blending of food into the mix was done to test the traffic potential of grocery items.

Single checkouts accepting both food and general merchandise have been equipped with UPC scanning equipment. The rest of the ALCO chain does not yet have scanning capability. At the 14 locations, food occupies between 10 percent and 12 percent of floor space, Soelter said.

ALCO operates stores in a trading area that extends north to South Dakota, south to Texas, west to Wyoming and east to Illinois. With the exception of Wyoming and South Dakota, Wal-Mart has invaded all other states where ALCO does business. K mart is in all ALCO markets. Target, Venture, Pamida and Gibson's Discount Centers, based in Dodge City, Kan., compete with ALCO in many markets as well.

Duckwall-ALCO went private Sept. 30, 1985, when its sales were about $350 million. At that time, the company also operated 33 Duckwall variety stores compared to 22 presently. Eariler in 1985, the last member of the founding family, A.L. Duckwall Jr., retired from the company.

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THE NEWSPAPER OF DISCOUNT RETAILING

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Wal-Mart Launches Hypermart USA

1st Hypermarket Places Discounter on Leading Edge of Retailing in U.S.

BENTONVILLE, Ark. — Wal-Mart's move into hypermarket merchandising has keyed a major expansion of the discounter's marketing that could rapidly boost the company's sales over the next few years.

The $16 billion discounter has started to merchandise food for the first time to support the launch of at least two company-owned and operated Hypermart USAs as well as modified hypermarkets called Wal-Mart Supercenters.

Wal-Mart's thrust into hypermarkets is part of the discounter's goal of being on the leading edge of retailing. This same drive was responsible for Wal-Mart's launching Sam's Wholesale Club and successfully growing it into

(Continued on page 4)

Wal-Mart chairman Sam Walton (inset) and other company execs faced reporters, security analysts and throngs of shoppers at the Dec. 28 opening of mammoth Hypermart USA. (DSN photo)

New Retailing Venture Expected to Generate $100M in Annual Sales

By Arthur Markowitz

GARLAND, Texas — Wal-Mart launched Hypermart USA here late last month as the first "American-type" hypermarket, a 220,000-square-foot store expected to reach $100 million in sales.

The Dec. 28 opening of the first of at least four Hypermart USAs has major implications for retailing in general and for the powerhouse discounter itself as it strives to become the nation's highest volume merchant. (See exclusive *DSN* photos, pp. 12-14.)

Hypermart USA is a partnership between Wal-Mart and Cullum Cos., a Dallas supermarket company that is the parent of the Tom Thumb chain. Each contributed $15 million to launch the venture

(Continued on page 11)

Traffic Builders Survey:

Promos Draw More But Fewer Buy

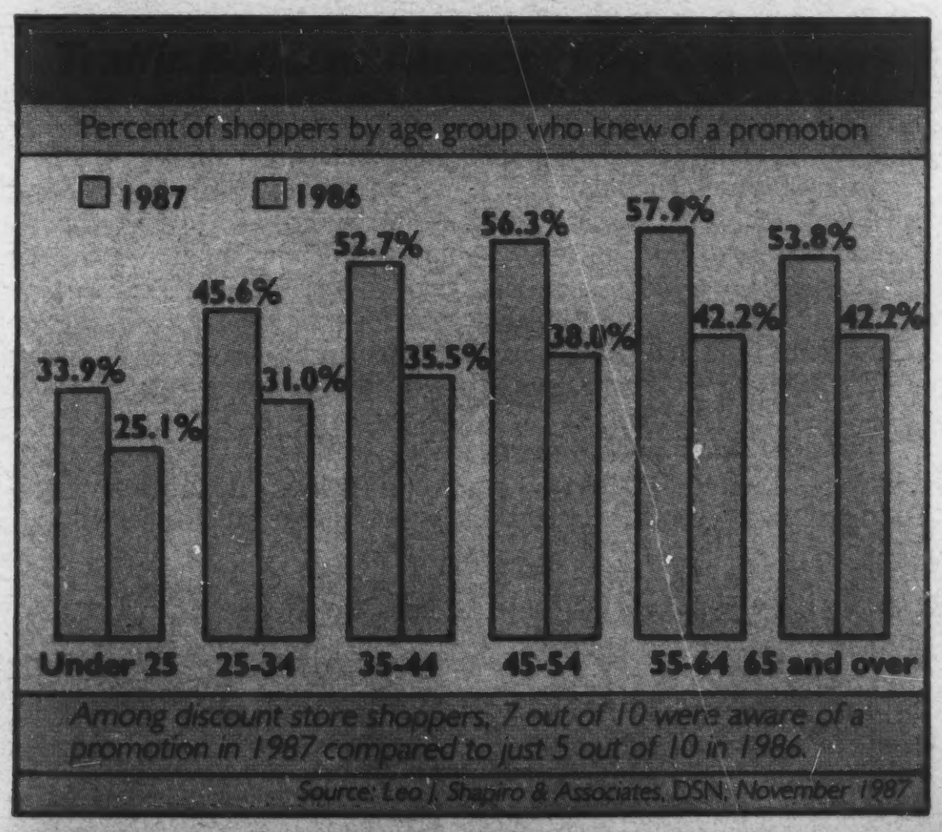
Nationwide DSN Report

Consumers of all ages were considerably more interested in what was on sale and for how much before going shopping last year than they were the year before, according to research compiled in October 1987 for *DSN's* second annual Traffic Builders Survey.

But, while discount stores, in particular, improved their ability to attract consumers with sales and promotions last year, they were less efficient at extracting additional dollars from shoppers' wallets. The exclusive *DSN* report appears to indicate that the sharp rise in promotional shopping, coupled with a decline in the mean dollars spent by those shoppers, may have contributed to flat or decreased profits experienced by many discounters.

Nevertheless, discount department stores continued to outdistance other types of retailers in their ability to attract customers with traffic-building promotions. More than 70 percent of discount store shoppers said they knew of a sale or promotion before going to the store, up from 49 percent the year before. By comparison, some 37 percent of shoppers at mass merchants like Sears and Penney said they were aware of a sale or promotion before shopping those stores, about 28 percent of shoppers at full-price department stores, about 33 percent at catalog showrooms and 32 percent at specialty stores.

The study, which is analyzed on pages 21 to 61, identified discounters' top traffic building products of 1987: household cleaners, household paper products, candy, plastic kitchen items and women's lingerie/sleepwear.



Among discount store shoppers, 7 out of 10 were aware of a promotion in 1987 compared to just 5 out of 10 in 1986.

Source: Leo J. Shapiro & Associates, DSN, November 1987

Chains Face '88 Gingerly After Modest Dec. Sales

By Kenneth M. Chanko
Nationwide DSN Report

Most discounters and off-pricers across the nation fared slightly better over the holiday period than their department and specialty store brethren, but sales increases were nonetheless modest.

On average, discounters posted 4 percent to 6 percent comparable store sales gains in December compared to a year ago. Many retailers said results were in line with somewhat lowered expectations. They also said that between buying cutbacks going into the holiday period and some markdowns during the last two weeks of the year, inventories are even or slightly lower than last year at this

(Continued on page 81)

24-Hour Toll-Free Number Gives Zayre Edge in Hiring

FRAMINGHAM, Mass. — Zayre has developed around-the-clock recruitment for all job levels.

By early February, the chain will have a toll-free telephone number that perspective employees can dial 24 hours a day, seven days a week, to apply for a position with Zayre over the phone and, if warranted, to schedule an interview appointment.

The recruitment approach is a cost-effective way to beat competitors—including other discounters, fast food restaurants and other retailers—to potential minimum wage level employees, by encouraging faster application decisions.

At the same time, information exchanged over the phone can screen out unsuitable job candidates and provide store

(Continued on page 82)

Second Annual **DSN** *Traffic Builders Survey*

Lingerie Leads Style Promos

Hair Care Is Top Draw

002403TC DS
MS JEANNE LONG
CONGRESSIONAL INFOR SVC IFA
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MARKETWATCH

Wysocki Out in Zayre Reorganization

FRAMINGHAM, Mass. — Zayre Corp. reorganized its discount store division, eliminating the post of executive vice president, general merchandise manager, triggering the resignation of Raymond Wysocki. Two merchandising vps were promoted to newly created positions: Jack Kegal was named senior vp, gmm, hard lines; Steve Jelin has been named sr. vp, gmm, overseeing mens', boys', shoes, infants and intimate apparel. Lynn Baker will continue to oversee all other apparel merchandise. Peter Weil, formerly a hard lines senior merchandise manager, was named sr. vp, merchandising, planning, distribution and control. They will report to Stanley Adler, Zayre Stores president. Craig Kurlander, formerly a vp, zone manager, was named sr. vp, store operations reporting to Bob Alger, newly named senior executive vp, operations and distribution services. Alger was exec. vp, sales, operations.

Harts Breaks Ground with Prototype

COLUMBUS, Ohio — Harts broke ground here last month for its first built-to-suit new prototype store in the Mill Run convenience center, a 350-acre, mixed-use site the discounter will share with a Big Bear grocery store. Big Bear is the parent of the 30-unit discounter. Located northwest of the city, the unit will follow the format unveiled last year in a retrofitted Harts store in Cincinnati.

Price Club Plans 4 New Units

SAN DIEGO — The Price Company, operator of 37 Price Clubs in the United States and joint operator with Steinberg Inc., of two Price Club Canada units in Montreal, plans to open four new clubs by this summer. Two will open in the West, in Glendale, Ariz., and Corona, Calif. On the East Coast, Price will open a warehouse club in White Marsh, Md., in East Baltimore, this spring and one in Hampton, Va., this summer. In the 16-week first quarter of 1988, ended Dec. 20, 1987, Price reported sales were up 24.3 percent to $1.28 billion. Net income after taxes climbed 35.6 percent to $30.87 million. Comparable warehouse sales rose 2.17 percent.

Costco Reports 1st Qtr. Sales Increase

SEATTLE — Costco Wholesale reported sales rose 77 percent to $407.5 million during first quarter 1988, ended Nov. 22, 1987. Comparable warehouse sales rose 21 percent. Net income totaled $2.49 million, compared to a net loss of $373,000 during last year's first quarter. That figure includes three unusual items: a $1.4 million pretax capital loss related to the sale of marketable securities; a $1.7 million pretax gain related to the repurchase at a discount of the $6.5 million principal amount of its convertible subordinated debentures; and a $771,000 benefit from the utilization of a tax loss carryforward. Excluding extraordinary items, Costco's first quarter net was $557,000.

Fisher's Big Wheel Receives Award

NEW CASTLE, Pa. — Fisher's Big Wheel received the Honeywell Gold Nugget National Energy Conservation Award for its 10-year-old energy conservation program. Despite increased store hours, annual average kilowatt-hours used by the discounter has been reduced by one-third since 1976. Energy management systems were installed during 1978.

California Boosts Minimum Wage

SAN FRANCISCO — A state-appointed commission recently voted to increase California's minimum wage from $3.35 an hour to $4.25. Scheduled to take affect July 1, the 27 percent increase represents a compromise reached by the Industrial Welfare Commission after several months of hearings and lobbying efforts by community, labor and business organizations.

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Chief Auto Management Purchases 470-Store Chain from Southland

DALLAS — As expected, the management of Chief Auto Parts has agreed to buy the 470-store chain from its parent, Southland Corp., owner of 7-Eleven stores.

The management group, including division manager Michael Manor and marketing director Kent Stickley, agreed to pay $130 million in cash, as well as to assume unspecified liabilities.

A co-investor is the investment firm of Shearson Lehman Brothers. Its ownership percentage is "a moving target," said Shearson vice president Laurie Koffman. The final percentage depends on whether Shearson and the management group have to offer warrants, or rights to purchase stocks, in order to swing private financing, she said.

To float $4 billion worth of public junk bonds to finance its LBO, Southland had to sweeten the terms by offering warrants, in addition to paying interest averaging 17.5 percent.

In contrast to the public sector financing of Southland's LBO, the financing for the Chief Auto LBO will all come from private sources, Koffman said, rather than from publicly sold junk bonds.

Manor's group and Southland signed the pact Dec. 24, 1987. The industry speculates a closing date of March 31.

Southland director of investor relations Cecilia Norwood, said the closing date hinges on ironing out other, unspecified, details of the transaction.

Manor indicated that his group plans to continue operating out of Dallas "pretty much as before," adding "we will continue moving forward with aggressive expansion" with "a bit of restructuring."

The number of new stores planned to be opened in 1988 has not yet been determined, Manor said. The expansion program will include the 14 stores in various stages that were put on hold during the Southland LBO process. "We will move forward with the 14," Manor said, as well as an undetermined number of additional stores.

The leveraged buyout of Chief amounts to an LBO within an LBO. The Thompson family, founders of the 7-Eleven chain, finally succeeded last month in taking Southland private in a $4.7 billion deal. But its interest cost averaging 17.5 percent to finance the LBO was about four percentage points more than it expected to pay when it announced buyout plans last July. Following Black Monday, Oct. 19, it had to sweeten the deal with warrants to attract junk bond buyers.

The sale of Chief, with units based largely in Texas and California, and other assets will help the Thompsons pay down their acquisition debt.

Jere W. Thompson, president and chief executive officer of Southland, announced that negotiations are continuing to sell other assets, including 700 more 7-Eleven stores on top of 270 already sold in the Houston area, the dairies that supply the chain and the ice company on which Southland was founded.

Plugging the Loophole on Imports

Bill May Regulate Customs Decisions

WASHINGTON — Some discount chains and other importers are finding ways to reduce duties on imported merchandise because of widely inconsistent decisions by customs officials, according to concerned federal legislators.

In an effort to plug one of the loopholes which importers use to obtain lower-duty imports, Sen. Bob Packwood, R-Ore., recently introduced a bill to regulate "inconsistent decisions" of customs officials which result in different duties on "identical or substantially similar" merchandise.

Not surprisingly, Packwood reported that the variance in duties at different ports has caused importers to be "biased" toward ports with more "lenient" standards.

"Selecting a port solely on the basis of achieving lower duty rates—commonly known as port-hopping or port shopping—disrupts the import process, increases transportation costs, creates an unwanted and unproductive competitive factor between ports and runs counter to the purposes and goals of U.S. custom laws," he said. "Moreover, inconsistencies in customs rulings on the district level unfairly penalize other ports which lose business to ports in more lenient districts."

The Packwood bill would expedite the review process in cases where customs officers within the same region are charged with levying inconsistent duties. The measure would allow petitions to be filed with the regional commissioner who would be required to "make a determination to remedy" the inconsistency within three working days.

FTC Scores Below-Cost Selling Law

WASHINGTON — The Federal Trade Commission has warned Wyoming lawmakers against broadening the state's anti-discounter "below-cost selling" statute.

In comments submitted at the request of Wyoming's Assistant Attorney General, FTC staff officials said, "An excessively strict law" would deter businesses from "vigorous but legitimate price competition." The staff argued, "Predatory pricing is difficult to accomplish and is therefore quite rare. Firms will rarely engage in genuine below cost pricing, since they typically know they cannot count on a later period of monopoly power during which they can raise prices above their costs and recoup their earlier losses."

In addition, they maintained that few U.S. industries are subject to long-term entry barriers essential in a predatory-pricing scheme.

The FTC staff recommended that Wyoming utilize an independent review of all predation claims "since some businesses complain that competitors engage in predatory pricing without having data to support those claims."

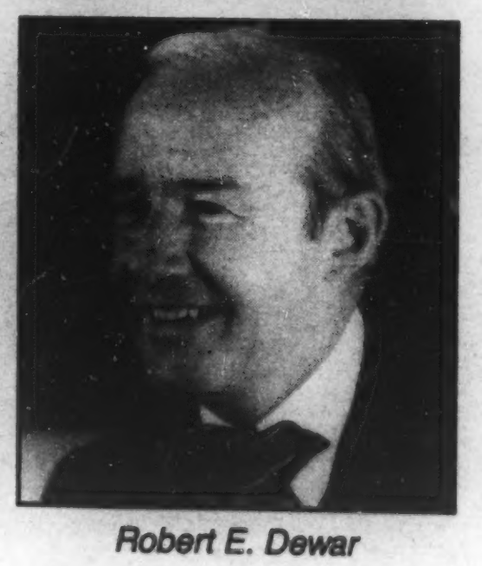
"In examining predatory pricing cases, law enforcement authorities may want to consider how a market is structured before looking at costs and prices," they said. "If the market is structured in a way that does not lend itself to predatory pricing, then many cases can be dismissed without further inquiry."

Ex-K mart Chairman Dewar Retires

TROY, Mich. — Robert E. Dewar, 65, who as chairman and chief executive officer spearheaded K mart's growth to over 1,200 units from 1972 to 1980, will retire Jan. 31. He has held the position of chairman of the executive and finance committees since 1980.

Dewar, who began his 38-year career at K mart in 1949, told *DSN*, "I'm very pleased in the new administration and have full confidence in Mr. [Joseph] Antonini [K mart's chairman]." Dewar also said that the nation's No. 1 discounter will continue to compete with Sears and Penney, but he said, "K mart still has it's niche," adding that "price and value must continue to be a very important emphasis."

Other than looking forward to taking vacations of more than two weeks at a time, Dewar said he will continue to be active on many other corporate boards, as well as participating in many of the Detroit area's cultural and community institutions.



Robert E. Dewar

Traffic Builders Survey

Promos Draw More Shoppers—But Fewer Buy

More people were drawn into a store last year because of a promotion, but fewer actually bought anything.

That is one of the major findings of *DSN's* second annual Traffic Builders Survey.

As in last year's study, household cleaning products ranked as the top traffic building product, followed this year by household paper products and hair care/personal care items.

DSN's Traffic Builders Survey is based on interviews with 1,985 shoppers in seven market areas covering the major regions of the country.

Consumers were interviewed by the Chicago-based research firm, Leo J. Shapiro & Associates, from Oct. 2 to Oct. 5, 1987, as they exited shopping areas in which there were discount department stores and other retailers. To provide comparability with last year's ground-breaking study, the locations of the interviews and the days of the week on which they were conducted were kept the same wherever possible.

The 1,985 shoppers interviewed had made visits to a total of 3,805 stores. Two-thirds (64 percent) of those visits were to discount department stores, 12 percent to a mass merchandiser (Sears, Penney or Ward), 4 percent to a full-price department store, and the balance to other types of retailers.

Among shoppers at a discount department store, 70 percent knew of an item on sale or special before making their visit to the store. At the mass merchants, 37 percent of shoppers were aware of a sale item.

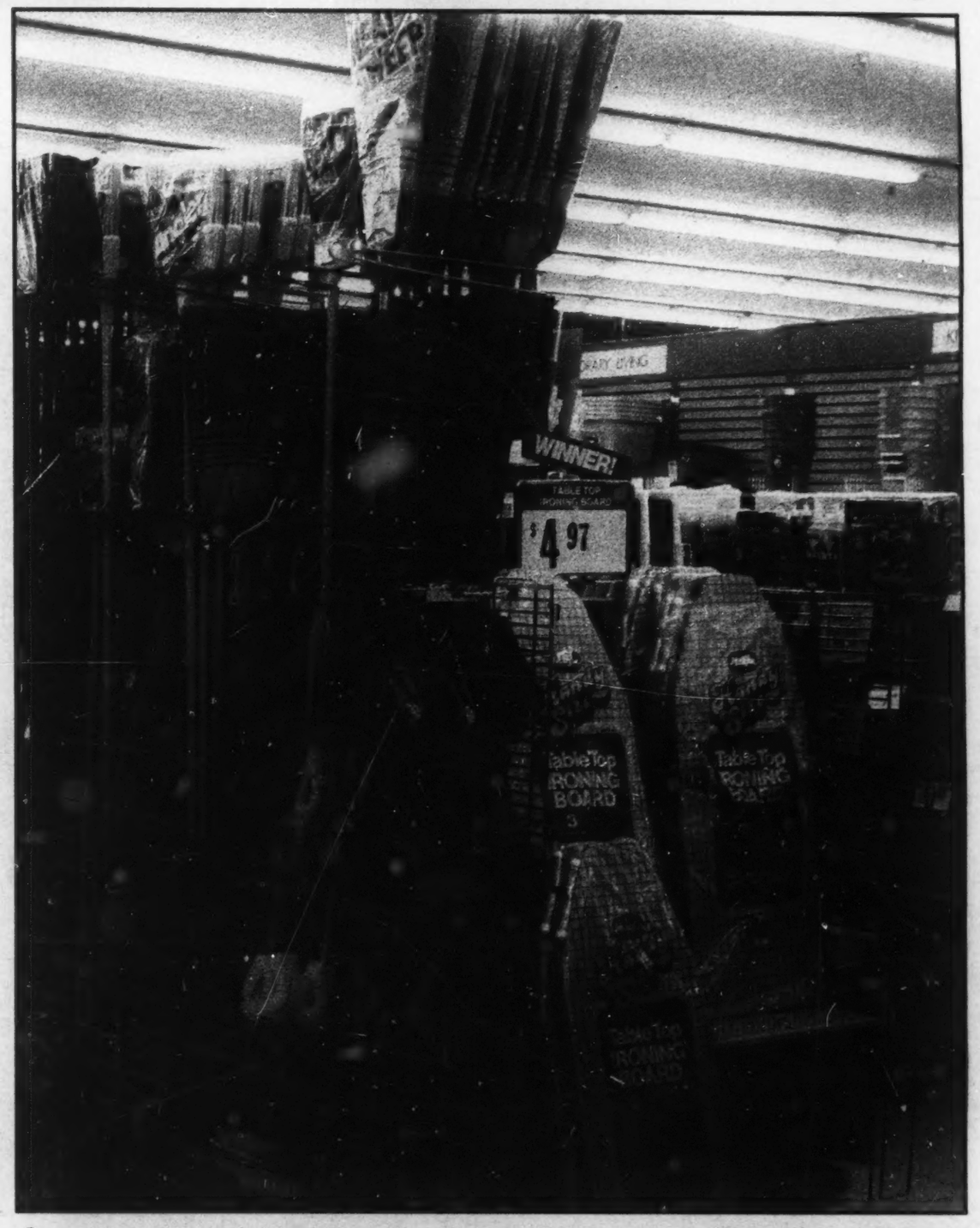
Overall, among all shoppers, half of the visits made were influenced by a promotional item, that is, the shopper knew of an item on sale at the store before shopping the store. That is a significant increase from the prior year's study, when just 35 percent of all shoppers were aware of a sale or special before shopping.

The top three traffic building products at discount stores were household cleaners, household paper products and candy. At mass merchants, bedding and women's apparel were the top traffic builders.

The top three traffic builder brands in 1987 were Rubbermaid, General Electric and Hi & Dri. Comet, Quaker State, Tide, GE, Fisher Price and Prestone were the only six brands to repeat their rankings among the top 20 traffic builder brands.

This special *DSN* research-based report also examines:

- How discount stores have improved their ability to attract consumers with sales and promotions, and identifies the top traffic building product categories and brands of 1987 (page 22);
- The improved mean tickets discounters derived from promotional items last year (page 29);
- Why consumers were considerably more bargain-conscious—more shoppers in every age group were aware of traffic building promotions last year (page 35);
- Research that shows candy remained a favorite discounter traffic builder, but other food items experienced a steep decline in consumer awareness (page 37);
- Why discounters are stepping up their promotion of apparel (page 39);
- How inexpensive household items like cleaners, paper products and laundry products continued to be top discount store traffic builders even though the percentage of consumers that mentioned being aware of a promotion or sale of these products declined somewhat from the previous year (page 47);
- How hair care and personal care products were the most popular promotional goods among discount store hard lines products—a category that proved to be very good at attracting new or infrequent customers as well as above average in stimulating add-on sales (page 59).

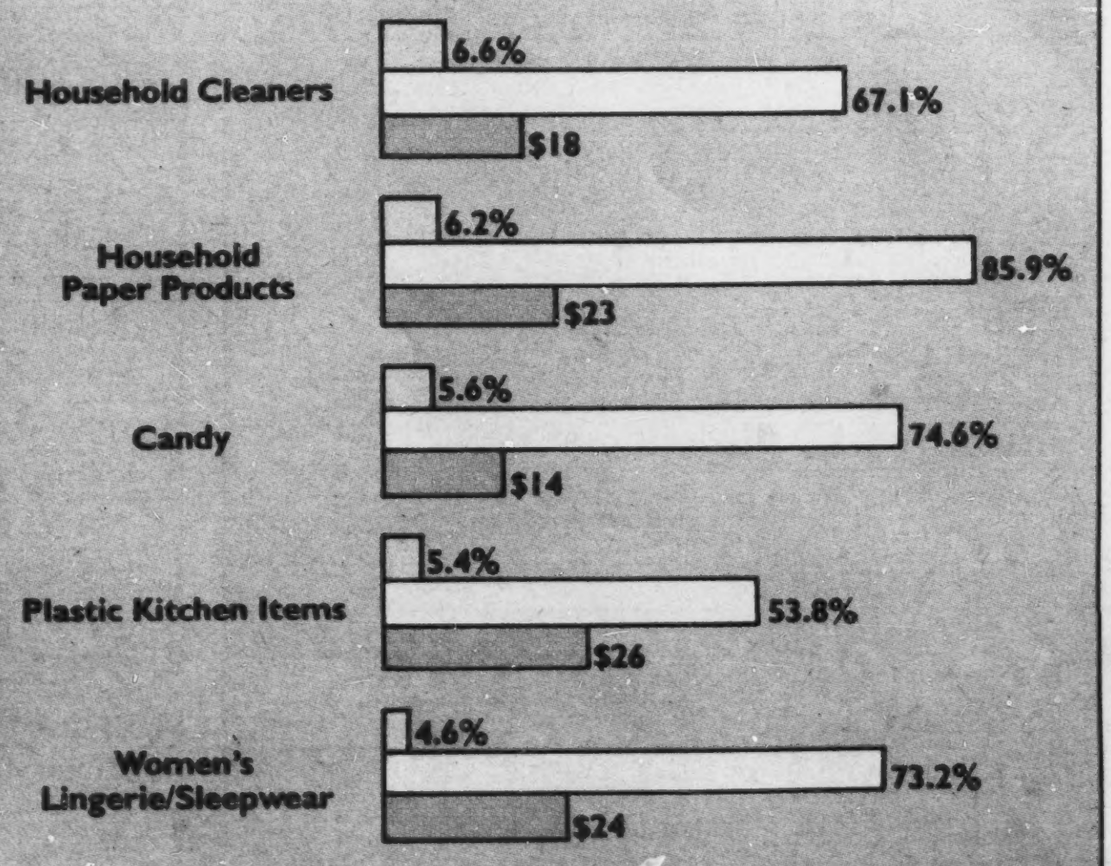


Over 10 percent of shoppers attracted to a discount store by a sale in 1986 said they had seen an ad for household cleaning products, compared to 6.6 percent in 1987, however, the mean ticket of those shoppers rose from $13 to $18.

Plastic kitchen items—most likely fueled by promotion of microwave accessories—finished third in mentions among home products by bargain-conscious discount shoppers. The mean ticket for these shoppers was $26. (DSN photos)

Discounters' Top Traffic Builders

☐ Percent of total number of products mentioned as traffic builders at discount stores
☐ Percent of customers who knew the product was on sale and made a purchase
☐ Mean ticket of customers who made a purchase



Source: Leo J. Shapiro & Assoc.; DSN, November 1987